TRANSPORTATION PARTNERSHIPS FUND

FINANCIAL STATEMENTS

For the Year Ending March 31, 2011

Provincial Auditor Saskatchewan

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SASKATCHEWAN

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Transportation Partnership Fund, which comprise the statement of financial position as at March 31, 2011, and the statements of operations and changes in net assets and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Transportation Partnership Fund as at March 31, 2011, and the results of its operations and its cash flows for the year ended in accordance with Canadian public sector accounting standards.

Regina, Saskatchewan
June 22, 2011

Bonnie Lysyk, MBA, CA
Provincial Auditor

TRANSPORTATION PARTNERSHIPS FUND
STATEMENT OF FINANCIAL POSITION
As at March 31

	2011	2010
Assets		
Current Assets:		
Due from General Revenue Fund (Note 3)	$ 8,771,072	$ 7,258,759
Accounts Receivable	741,834	267,882
	$ 9,512,906	$ 7,526,641
Long Term Assets:		
Loans Receivable Less Concessionary Allowance (Note 5)	1,950,552	1,932,702
	$ 11,463,458	$ 9,459,343
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable	$ 214,091	$ 267,196
Net Assets (Statement 2)	$ 11,249,367	$ 9,192,147

(See accompanying notes to financial statements)

TRANSPORTATION PARTNERSHIPS FUND
STATEMENT OF OPERATIONS AND CHANGE IN NET ASSETS
For The Year Ended March 31

	2011 Budget	2011 Actual	2010 Actual
Revenue			
Transportation Partnerships Agreements	$ 650,000	$ 2,223,454	$ 1,962,086
Interest Revenue (Note 3)	12,000	64,754	19,992
Amortization of Loan Discount (Note 5)	122,000	111,850	99,807
Other Revenue	46,000	164,437	30,380
Total Revenue	$ 830,000	$ 2,564,495	$ 2,112,265
Expenses			
Highway Improvement Projects (Note 4)	$ 1,000,000	$ 457,275	$ 2,203,781
General Transfers	-	-	307,032
Technology Manufacturing Costs	10,000	-	5,194
Administrative Expenses (Note 4)	50,000	50,000	50,000
Total Expense	$ 1,060,000	$ 507,275	$ 2,566,007
Surplus (Deficit) for the year	$ (230,000)	$ 2,057,220	$ (453,742)
Net Assets, beginning of year	9,192,147	9,192,147	9,645,889
Net Assets, end of year (Statement 1)	$ 8,962,147	$ 11,249,367	$ 9,192,147

(See accompanying notes to financial statements)

TRANSPORTATION PARTNERSHIPS FUND
STATEMENT OF CASH FLOWS
For the Year Ended March 31

	2011	2010
Cash flows from (used in) operating activities:		
Cash Receipts From Transportation Companies	$ 1,767,333	$ 3,457,416
Cash Receipts From Other Revenue	164,437	30,380
Cash Receipts From Short-Line Railways	94,000	83,333
Interest Received	46,923	35,475
Cash Paid For Highway Improvement Projects	(510,380)	(2,241,123)
Cash Paid For Manufacturing Costs	-	(5,194)
Cash Loans Paid To Short-Line Railways	-	(811,200)
Cash Paid For General Transfers	-	(25,000)
Cash Paid For Administration	(50,000)	(50,000)
Net Increase (Decrease) in cash	$ 1,512,313	$ 474,087
Due from General Revenue Fund, beginning of year	7,258,759	6,784,672
Due from General Revenue Fund, end of year	$ 8,771,072	$ 7,258,759

(See accompanying notes to financial statements)

TRANSPORTATION PARTNERSHIPS FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2011

1. Authority and Definition of Entity

The Transportation Partnerships Fund was established effective July 1, 1997 pursuant to Section 8 of *The Highways and Transportation Act, 1997*. The purpose of the Fund is to generate revenues to be used for highway improvement projects. The Transportation Partnerships Fund generates revenues subject to the terms of trucking partnership agreements in which the transportation companies pay the Fund a portion of cost savings achieved from being able to haul overweight and/or over-dimension loads. Additional revenues are raised through issuing permits and the marketing of transportation related technology and expertise.

2. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board, the Fund is classified as an "other government organization". The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards as recommended by the Public Sector Accounting Board. A statement of change in net debt has not been prepared as the information is readily determinable from the other statements. The following accounting principles are considered significant:

a) Revenue recognition –
   I. Transportation Partnerships Agreement revenue - recognized in the period the truck haul savings and fees are realized.
   II. Transfers are recognized as revenue when the Fund has met the eligibility criteria, if any, and a reasonable estimate of the amount can be made.

b) Restricted revenue –
   Pursuant to Transportation Partnership Agreements with transportation companies, a portion of revenue received is restricted to highway improvement projects on specified highways.

c) Use of estimates –
   These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

3. Due from General Revenue Fund

The monies of the Transportation Partnerships Fund are deposited in the General Revenue Fund. Under this arrangement, earned interest is calculated and paid by the General Revenue Fund on a quarterly basis using the Government's thirty day borrowing rate and the Transportation Partnerships Fund's average daily bank account balance. The effective interest in the year was 0.80% (2010 – 0.27%).

4. Related Party Transactions

These financial statements include transactions with related parties. The fund is related to all Saskatchewan Crown agencies such as ministries, corporations, agencies, boards and commissions under common control of the Government of Saskatchewan. Also, the Fund is related to non-Crown agencies that the Government jointly controls or significantly influences. These transactions are in the normal course of operations and are recorded at agreed upon exchange amounts.

During the year, the Fund was charged $50,000 (2010 - $50,000) by the Ministry of Highways and Infrastructure for salary and administrative expenses.

Transportation Partnerships Agreements Revenue includes $354,000 (2010 - $2,000) from SaskPower, pursuant to a transportation partnership agreement between the Fund and SaskPower.

Transportation Partnerships Agreements Revenue includes $165,000 (2010 - $147,500) from Saskatchewan Government Insurance (SGI), pursuant to a transportation partnership agreement between the Fund and SGI.

Transportation Partnerships Agreements Revenue includes $10,526 (2010 - $20,292) from L & M Wood Products Limited Partnership, pursuant to a transportation partnership agreement between the Fund and L & M Wood Products Limited Partnership.

Transportation Partnerships Agreements Revenue includes $71,610 (2010 - $70,128) from Meadow Lake OSB Limited Partnership, pursuant to a transportation partnership agreement between the Fund and Meadow Lake OSB Limited Partnership.

Transportation Partnerships Agreements Revenue includes $35,698 (2010 - $7,836) from Mistik Forest Management Trust, pursuant to a transportation partnership agreement between the Fund and Mistik Forest Management Trust.

Highway improvement projects undertaken by the Fund are repairs and betterments to assets of the Ministry of Highways and Infrastructure. Projects of a capital nature totaling $0 (2010 - $1,395,739) were transferred by the Fund to the Ministry. The Ministry records and amortizes these assets based on Ministry capitalization policies and thresholds.

5. Loans Receivable

The Fund provided loans of $0 in 2011 (2010 loans - $811,200; Total loans advanced to date - $2.893 million) in financial assistance to eligible Short Line Railway companies under *The Railway Line (Short Line) Financial Assistance Regulations*. The loans are interest free and to be paid back over 15 years, with the first repayment due in the fourth year.

The loans are accounted for as a discounted loan on the Statement of Financial Position. Due to the concessionary nature of the loan, the Fund recognized a discount of $0 in 2011 (2010 - $282,032). A concessionary allowance has been recorded and will be amortized to revenue over the term of the loan. The total concessionary allowance balance is $608,248 in 2011 (2010 - $720,098).

No valuation allowance was established in the current year. An allowance will be recorded if at any point the loan is not considered payable in full.

Short Line Rail Loan
Continuity Schedule
March 31, 2011

	LOANS			
Company Name	Beginning Balance	Additions	Repayments	Ending Balance
Westcan Rail (Sask.) Ltd.	$ 660,000		$ 73,333	$ 586,667
Fife Lake Railway Ltd.	100,000		10,000	90,000
Torch River Rail Inc	128,000		10,667	117,333
Great Sandhills	953,600		-	953,600
Last Mountain Rail	811,200		-	811,200
	$ 2,652,800	$ -	$ 94,000	$ 2,558,800

	CONCESSIONARY ALLOWANCE				
Company Name	Beginning Balance	Allowance Addition	Allowance Amortization	Ending Balance	Net Balance
Westcan Rail (Sask.) Ltd.	$ 119,438		$ 25,721	$ 93,717	$ 492,950
Fife Lake Railway Ltd.	20,594		3,993	16,601	73,399
Torch River Rail Inc	32,476		5,197	27,279	90,054
Great Sandhills	286,679		41,184	245,495	708,105
Last Mountain Rail	260,911		35,755	225,156	586,044
	$ 720,098	$ -	$ 111,850	$ 608,248	$ 1,950,552